

MINUTE ITEM
This Calendar Item No. C54 was approved as
Minute Item No. 54 by the California State Lands
Commission by a vote of 1 to 2 at its
11-21-06 meeting.

**Minute Item
C54**

11/21/06
W 40927
J. L. Smith

**SLAWSON EXPLORATION COMPANY, INC.
DBA: DONALD C. SLAWSON EXPLORATION
COMPANY, INC.**

(APPLICANT)

**CALENDAR ITEM C54 WAS MOVED TO THE REGULAR
CALENDAR AND WAS NOT APPROVED BY A VOTE OF 1-2**

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CALENDAR ITEM
C54

A 2
S 4

11/21/06
W 40927
J. L. Smith

**CONSIDER APPLICATION FOR A NEGOTIATED SUBSURFACE
(NO SURFACE USE) OIL AND GAS LEASE,
SACRAMENTO RIVER,
COLUSA AND SUTTER COUNTIES**

APPLICANT:

Slawson Exploration Company, Inc.
dba: Donald C. Slawson Exploration Company, Inc.
Attn.: Mr. Donald C. Slawson, President
P. O. Box 2907
Wichita, KS 67201-2907

AREA, LAND TYPE, AND LOCATION:

Negotiated subsurface (no surface use) Oil and Gas Lease incorporates about 8.35 acres in the Sacramento River, Colusa and Sutter Counties.

BACKGROUND:

Slawson Exploration Company, Inc., dba: Donald C. Slawson Exploration Company, Inc., (Slawson) has submitted a complete application for a negotiated subsurface (no surface use) Oil and Gas Lease on about 8.35 acres in the Sacramento River, Sacramento County (Exhibit A, attached hereto). Because the State land is a waterway, surface locations for oil and gas operations (drill sites) are not available. However, oil and gas resources that may underlie the State land can be developed and protected pursuant to the California State Lands Commission's (Commission) negotiated subsurface (no surface use) Oil and Gas Lease, which would permit Commission-approved directional drilling from a County-approved drill site through the State's parcel and would permit inclusion of the leased lands in a Commission-approved pooled area or unit.

Under the terms of the proposed negotiated subsurface (no surface use) Oil and Gas Lease, the Lessee is required to pay an annual rental of \$30.00 per net acre

CALENDAR ITEM NO. C54 (CONT'D)

(\$250.50 for 8.35 acres) and to commence drilling operations on the leased lands within three years.

Public Resources Code section 6815(a) authorizes the Commission to negotiate and enter into oil and gas leases on State lands if any of the following exists: wells drilled on private or public lands are draining or may drain oil and gas from the State lands; the Commission determines the State lands to be unsuitable for competitive bidding because of such factors as their small size or irregular configuration or their inaccessibility from surface drill sites reasonably available or obtainable; the State owns a fractional mineral interest in the lands; or the Commission determines the lease to be in the best interests of the State.

Because Slawson controls, by lease and agreement, the readily leasable private property adjacent to the State land described in Exhibit B, attached hereto, and because Slawson intends to drill a well through, into, or adjacent to State land that is bounded by upland leases controlled by Slawson, Commission staff has concluded that the criteria of Public Resources Code section 6815(a) have been satisfied. Commission staff also has determined that it will be economically advantageous to the State to enter into a negotiated subsurface (no surface use) Oil and Gas Lease with Slawson because it will protect oil and gas resources that may underlie the State land.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of the CEQA as a categorically exempt project. The project is exempt under Class 4, Minor Alterations To Land; Title 14, California Code of Regulations, section 15304.

Authority: Public Resources Code section 21084 and Title 14, California Code of Regulations, section 15300.

2. This activity affects the subsurface only, but the surface lands have been identified as possessing significant environmental values pursuant to Public Resources Code section 6370, et seq. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

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3. Drilling term of three (3) years; however, if all or part of the leased lands are included in a Commission-approved pooled area or unit, then drilling operations on and production from lands pooled or unitized with the leased lands shall be deemed to be drilling operations on and production from the leased lands that are included in the Commission-approved pooled area or unit.
4. Annual rental of \$30 per acre (\$250.50 for approximately 8.35 acres).
5. Royalty of 22.05 percent on gas and oil.
6. Performance bond or other security in the sum of \$10,000.

EXHIBITS:

- A. Land Description
- B. Site Map

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 AS A CATEGORICALLY EXEMPT PROJECT, CLASS 4, MINOR ALTERATIONS TO LAND; TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15304.
2. FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

OTHER FINDINGS:

DETERMINE THAT THE CRITERIA OF PUBLIC RESOURCES CODE SECTION 6815(a) HAVE BEEN MET, THAT A NEGOTIATED SUBSURFACE (NO SURFACE USE) OIL AND GAS LEASE IS THE BEST INSTRUMENT TO DEVELOP AND PROTECT OIL AND GAS RESOURCES THAT MAY UNDERLIE THE STATE LAND DESCRIBED IN EXHIBIT B, ATTACHED HERETO, AND THAT THE STATE LAND IS

CALENDAR ITEM NO. C54 (CONT'D)

UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE WELLS DRILLED ON DRILLSITES ON THE ADJACENT PRIVATE PROPERTY MAY DRAIN STATE OIL AND GAS RESOURCES.

AUTHORIZATION

1. PURSUANT TO PUBLIC RESOURCES CODE SECTION 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) OIL AND GAS LEASE WITH SLAWSON EXPLORATION COMPANY, INC., DBA: DONALD C. SLAWSON EXPLORATION COMPANY, INC. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT B, ATTACHED HERETO, (APPROXIMATELY 8.35 ACRES), A DRILLING TERM OF THREE (3) YEARS, ANNUAL RENTAL OF \$30 PER ACRE (\$250.50 FOR APPROXIMATELY 8.35 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 22.05 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$10,000.

2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

EXHIBIT A

W40927

LAND DESCRIPTION

A parcel of submerged land in the bed of the Sacramento River situated adjacent to Section 35 T14N R1E MDM, in Colusa and Sutter Counties, California, more particularly described as follows:

Bounded to the North by the North line of said Section 35; bounded on the South by the westerly prolongation of the South line of that certain parcel described in the deed recorded on November 20th 1900 in Book 28, Page 476, of the Official Records of Sutter County; bounded on the West by the right bank of said river; bounded on the East by the left bank of said river.

EXCEPTING therefrom any lands located landward of the ordinary low water mark of said river.

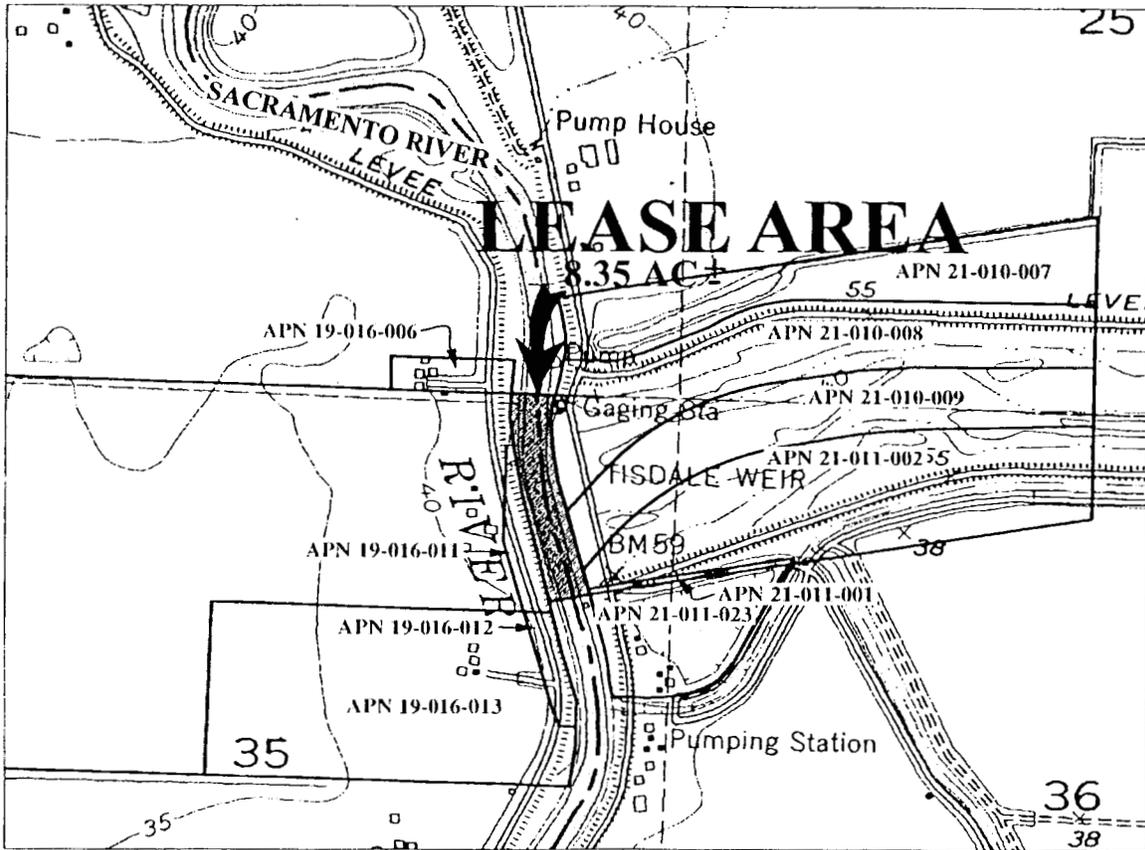
END OF DESCRIPTION

Prepared 9/20/06 by the California State Lands Commission Boundary Unit



NO SCALE

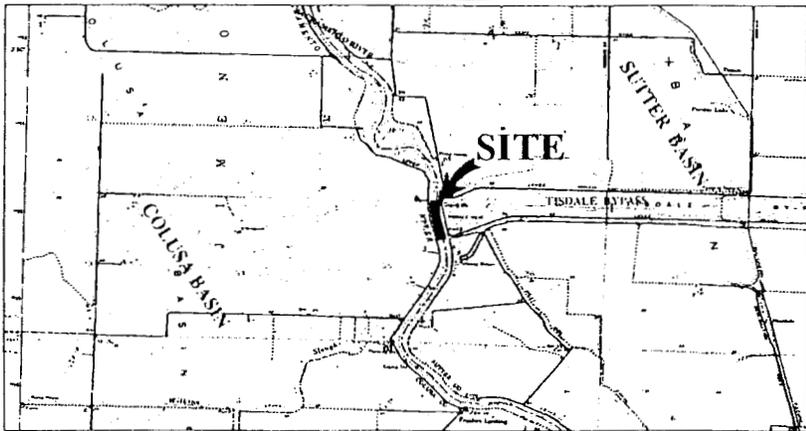
SITE



TISDALE WEIR
SACRAMENTO RIVER

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit B

WP 40927
 Slawson Exploration Company
 OIL AND GAS LEASE
 SACRAMENTO RIVER
 SUTTER/COLUSA COUNTY



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

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